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DEPARTMENT OF COMMERCE

International Trade Administration

Secretarial Energy Business Development Mission to West Africa

May 18-23, 2014

**AGENCY:** International Trade Administration.

**ACTION:** Notice.

### **MISSION DESCRIPTION**

The United States Secretary of Commerce will lead an Energy Business Development Mission to West Africa with stops in Ghana and Nigeria from May 18-23, 2014. This business development mission will promote U.S. exports to Africa by helping U.S. companies launch or increase their business in the energy sector in West Africa. The mission will include government and business-to-business meetings, market briefings, and networking events. In both countries, the governments and private sector are investing significant money in developing their energy and power sectors. As a result, the mission will focus on export-ready U.S. firms in the energy sector, including oil and gas, that can help the target countries develop and manage energy resources and systems, build out power generation and transmission, and distribution. Mission participants will range from fully integrated energy solutions companies to equipment, technology and ancillary services providers.

The President approved the Presidential Policy Directive (PPD) on Sub-Saharan Africa on June 14, 2012, which became publicly known as the U.S. Strategy Toward Sub-Saharan Africa (“Strategy”). The Strategy recognizes that Africa holds the promise to be “the world’s next major

economic success story.” This recognition of the significant development within Sub-Saharan African economies over the past several years also marks a call for the evolution of U.S. Government economic and commercial policy toward the region, doing more to focus on the two-way nature of trade and investment. This is the first time that promoting U.S. trade and investment has been a cornerstone of a PPD on Sub-Saharan Africa, and it is this objective that the Department of Commerce is working to institutionalize. During his trip to Africa in late June/early July, the President announced plans for Secretary Pritzker to lead a trade mission to sub-Saharan Africa in 2014.

The delegation will be composed of 20-25 U.S. energy firms, representing the mission’s target sub-sectors. Representatives of the U.S. Trade and Development Agency (USTDA), the Export-Import Bank of the United States (Ex-Im) and the Overseas Private Investment Corporation (OPIC) will be invited to participate to provide information and counseling regarding their suite of programs and services in sub-Saharan Africa. This collaborative interagency approach highlights the Doing Business in Africa (DBIA) campaign, which aims to harness federal trade promotion and financing capabilities to help the U.S. private sector identify and seize upon trade and investment opportunities.

## **COMMERCIAL SETTING**

### **Overview of Energy Needs in Africa**

With over 600 million people in sub-Saharan Africa lacking access to electricity, the development challenge is enormous. More than two-thirds of the population of sub-Saharan Africa is without electricity, including more than 85 percent of those living in rural areas.

According to the International Energy Agency, sub-Saharan Africa needs more than \$300 billion in investments to achieve universal electricity access by 2030 – far beyond the capacity of any traditional development program.

This mission is an opportunity to connect U.S. company products, services and expertise to support Africa's enormous power potential, including new discoveries of vast reserves of oil and gas.

## **Ghana**

This West Africa nation of 25 million people is often referred to as the 'Ireland of Africa,' a testament to the Ghanaian's well-earned reputation for being friendly and welcoming to outsiders. It is expected that the country will lead the region as an example for stability, transparency and steady and diversified economic growth. Ghana also holds a special place in the colonial history of the continent, having been the first democratic Sub-Saharan African nation to gain independence when the Republic of Ghana was established on March 6, 1957.

Ghana's economy has been strengthened by a quarter century of relatively sound management, a competitive business environment, and sustained reductions in poverty levels. Per-capita GDP (PPP) in Ghana now stands at \$3,500, significantly higher than most of Sub-Saharan Africa and built on a more sustainable and diversified economy. GDP growth has averaged 4% to 8% over the last decade, surging to 7.9% in 2012(making Ghana the fastest growing economy that year) as new oil revenue came on line. Ghana continues to face challenges in infrastructure development and a worrying increase in its debt-to-GDP ratio has limited financing options. A

recent credit downgrade by Fitch, rating Ghana's sovereign debt at B-, will make future financing options even more limited.

While services make up an increasingly important role in Ghana's economy, natural resources and commodity prices still dominate domestic decision making. Ghana is the world's second largest exporter of cocoa and one of the largest producers of gold. The nation's resource base was diversified in 2007 when moderate amounts of oil and gas reserves were discovered offshore in the Gulf of Guinea – enough to spur strong economic growth but not enough to destabilize the economy. Offshore exploration and production has been managed primarily by foreign firms, led by Tullow Oil, and continues to grow with new fields discovered in recent years. Manufacturing lags far behind, due to supply chain uncertainties, lack of a skilled workforce and inadequate infrastructure.

Oil production at Ghana's offshore Jubilee field began in mid-December, 2010 and has, as expected, boosted economic growth significantly. The field is currently producing 120,000 barrels a day, its expected peak level, with reserves estimated at 2 billion barrels. Additional fields are currently being explored and developed, with additional oil resources expected to come online in the next five years. Gas production from the fields continues to be a problem, primarily the result of delays in planning and development of required infrastructure developments. A Chinese-funded and developed gas processing facility originally scheduled for completion in 2012 is still months or years away from production.

A worrying development, impacting particularly the oil and gas sector, is Ghana's recent push for local content requirements. In November 2013, Parliament approved legislation that limits

foreign investments in Ghana's petroleum sector due to requirements that local partners of foreign investors maintain a significant share of any oil and gas projects and that corporate management be predominately local. With a petroleum industry that is only four years old, foreign investors will be challenged in finding qualified partners, managers and employees as Ghana's local content regulations go into force.

Without doubt one of Ghana's greatest challenges is utilizing its petroleum reserves and putting local production to use in the power sector. Ghana currently produces 2,000 megawatts of power, half from hydropower plants on the Volta River. Ghana's thermal power production has been hampered by adequate and reliable sources of gas. The primary supplier to Ghana's gas-fired power plants, the West Africa Gas Pipeline has been both an unreliable and costly solution. Plans to bring greater amounts of gas onshore from Jubilee have yet to materialize. The U.S. Government's Power Africa initiative and the Millennium Challenge Corporation are putting together programs that will help this significant problem facing the country.

Ghana will continue to be viewed as a success story for West Africa and, indeed, for all of Sub Saharan Africa. To truly reach its potential, however, decisive leadership making difficult decisions needs to lead the nation to the next level of development. It will be a difficult task.

## **Nigeria**

Nigeria is Africa's most populous country, accounting for approximately one-fifth of the continent's people and 2.4 percent of the world's population. It is arguably one of the most culturally diverse societies in the world, with approximately 250 ethnic groups among its

estimated 170 million people. In 1991, Nigeria's capital was moved from Lagos to Abuja, tagged as the "Center of Unity." A planned city, Abuja is now the political center, or seat of Nigeria's Federal Government. International organizations such as the United Nations, the Economic Community of West African States (ECOWAS), African Union (AU), and Organization of Petroleum Exporting Countries (OPEC) have regional headquarters in Abuja. The "Commercial Hub," Lagos is the most populous city in Nigeria and one of the fastest growing cities in the world. Lagos State is estimated to have a population of more than 17 million and is modernizing itself to meet the criteria of a "mega city," with major infrastructure projects including the construction of a metro/light railway.

Nigeria's annual growth rate averaged over seven percent during the past decade. As a result, the country is regarded as one of the fastest-growing economies in the world. To sustain this annual growth rate, the Government of Nigeria (GON) is privatizing important sectors of Nigeria's economy, promoting public-private partnerships, and encouraging strategic alliances with foreign firms, especially for infrastructure development and technology acquisition in critical sectors such as security, power generation, transportation, and healthcare.

Nigeria is the chief driver of international trade in the Economic Community of West African States (ECOWAS), which consists of 16 countries. Market analysts from the National Association of Chambers of Commerce, Industry, Mines, and Agriculture (NACCIMA) claim that Nigeria accounts for over 40 percent of imports in the sub-region and ranks among Africa's largest consumer markets. As a gateway to 15 smaller West African countries and a net importer of equipment, Nigeria can be a very rewarding market for U.S. companies that take the time and

effort to understand its complex market conditions and opportunities, find the right partners and clients, and take a long-term approach to market development.

Nigeria ranks as Africa's largest oil producer and the twelfth largest in the world, producing high-value, low-sulfur content crude oil. A five-year-long effort to reform Nigeria's oil and gas legal framework has created uncertainty, delaying billions of dollars in potential investment in this sector. The Nigerian National Assembly is reviewing the most recent version of a Petroleum Industry Bill (PIB), which seeks to incorporate and update 16 different laws that regulate the sector. However, international oil companies operating in Nigeria have expressed concern that this latest version of the PIB would boost GON royalty and tax revenues to a level that makes new investment unprofitable. In contrast, the GON has argued that the PIB reflects current internationally-accepted industry contract standards.

In April 2010, Nigeria signed into law the Nigerian Oil and Gas Industry Content Development Act, which we refer to as the local content law. Commerce in collaboration with the USG interagency has worked to encourage Nigeria to ensure that it is in compliance with their World Trade Organization (WTO) obligations. The law was designed to encourage Nigerian participation in the oil and gas industry. The Government of Nigeria (GON) estimates that \$8 billion is spent annually in the country's petroleum industry and approximately five percent is retained in Nigeria. The local content law's stated purpose is to include more Nigerians in this sector and increase significantly economic links to the Nigerian private sector. To accomplish this, the local content law includes provisions regarding Nigerian content (goods and services), operations and transactions in the petroleum industry and the functions of the Nigerian Content Division (NCD), and the Nigerian National Petroleum Corporation (NNPC).

Over the next two to three years, U.S. exporters of power generation, transmission and distribution equipment, and services will have significant trade opportunities in Nigeria. The GON recently announced that Nigeria requires more than \$3.5 billion to improve its power generation, transmission, and distribution capacity from less than 5000 MW to 20,000 MW by 2016. U.S. exporters of electrical components and parts have growth opportunities here as well.

In 2013, the Nigerian government completed the privatization of 11 electricity distribution and six generation companies, with a total value of \$2.6 billion. Investment in distribution assets will be required to address major issues facing the newly-privatized utilities, including reducing technical, commercial, and collection losses from a current estimated of 40% down to 10-15%. Near-term opportunities in Nigeria's distribution sector exist for providers of basic infrastructure equipment, services, and monitoring; metering, billing and collection software, systems, and solutions; and utility IT systems. Over the medium-term, the distribution utilities are also looking to deploy GIS and SCADA systems for the mapping, monitoring and control of their networks, as well smart grid technologies and applications like Distribution Automation, Demand Side Management, and Outage Management Systems.

Nigeria is also one of the most promising export markets for ethanol. Nigeria has a policy of blending 10 percent ethanol with gasoline; it is not however a mandate. The Organization for Economic and Cooperation Development estimates that consumption of ethanol in Nigeria will increase about 25 percent from 2013 to 2015. As Africa's largest oil producer, Nigeria is in good position logistically to export blended gasoline or even pure ethanol to other countries in Africa, many of whom have ethanol blending mandates. Trade data indicates that Nigeria



exported \$4.3 million in ethanol in 2012, including a large amount to Ghana. In recent years, Chinese investment in the Nigerian biofuels industry (ethanol and biodiesel) has soared.

According to Nigeria's National Bureau of Statistics (NBS), imports from Asia accounted for 41% of Nigeria's imports in 2012, while imports from Europe and America accounted for 26.5% and 25.3% respectively. NBS reports that imports are dominated by machinery, transport equipment, manufactured goods, and commodities.

Domestic currency commercial lending interest rates remain very high (ranging from 20 to 35 percent), despite Government efforts to lower them. This is fueling demand for U.S. Ex-Im Bank's financing and credit facilities by Nigerian importers. As of December 2012, Ex-Im Bank's credit exposure in Nigeria exceeded \$178 million.

The official exchange rate of the Naira to the dollar currently fluctuates between 155 and 160 (2012 average exchange rate N156.8:\$1).

## **MISSION GOALS**

This mission will demonstrate the United States' commitment to a sustained economic partnership in West Africa. The mission's purpose is to support the business development goals of U.S. energy firms as they construct a firm foundation for future business in West Africa and specifically aims to:

- Assist in identifying potential partners and strategies for U.S. companies to gain access to each market for energy and power generation products and services.
- Confirm U.S. Government support for the activities of U.S. businesses in each market and to provide access to senior decision makers in the Ghanaian and Nigerian governments.
- Listen to the needs, suggestions and experience of individual participants to help shape appropriate U.S. Government positions regarding U.S. business interests in the region.
- Organize private and focused events with local business and association leaders capable of becoming partners and clients of U.S. firms as they develop their business in the region.
- Assist development of competitive strategies and market access with high level information gathering from private and public-sector leaders.

## **MISSION SCENARIO**

The mission will stop in Accra, Ghana and Lagos and Abuja, Nigeria. In each country, participants will meet with pre-screened potential agents, distributors, and representatives, as well as other business partners and government officials. They will also attend market briefings by U.S. Embassy officials, as well as networking events offering further opportunities to speak with local business and industry decision-makers.

## PROPOSED TIME TABLE

Sunday, May 18	Accra, Ghana	Business development mission Orientation U.S Government Trade Finance Briefing Commercial Opportunity Overview Country Team Briefing Welcome Dinner
Monday, May 19	Accra, Ghana	Industry Briefings / Roundtable Discussions One-on-One Business Appointments Public Speech Networking Reception
Tuesday, May 20	Accra, Ghana	Industry Briefings / Roundtable Discussions One-on-One Business Appointments
Wednesday, May 21	Lagos, Nigeria	Travel to Lagos, Nigeria Commercial Opportunity Overview Country Team Briefing Government Meetings One-on-One Business Appointments Networking Reception
Thursday, May 22	Lagos, Nigeria	Government Meetings One-on-One Business Appointments Public Speech
	Abuja, Nigeria	Travel to Abuja, Nigeria

		Networking Reception
Friday, May 23	Abuja, Nigeria	Government Meetings One-on-One Business Appointments Public Speech Wrap-up Discussion Closing Dinner

## **PARTICIPATION REQUIREMENTS**

All parties interested in participating in the Secretarial Energy Business Development Mission to West Africa must complete and submit an application package for consideration by the Department of Commerce. All applicants will be evaluated on their ability to meet certain conditions and best satisfy the selection criteria as outlined below. Approximately 20-25 companies will be selected to participate in the mission from the applicant pool. U.S. companies doing business in Ghana and Nigeria, as well as U.S. companies seeking to enter these markets for the first time may apply.

### **Fees and Expenses:**

After a company has been selected to participate on the mission, a payment to the Department of Commerce in the form of a participation fee is required. The fee schedule for each mission is below:

- \$11,000 for large firms

- \$9,000 for a small or medium-sized enterprises (SMEs)<sup>1</sup>
- \$2,750 each additional firm representative (large firm or SME)

Expenses for travel, lodging, most meals, and incidentals will be the responsibility of each mission participant.

### **Conditions of Participation:**

An applicant must submit a completed and signed mission application and supplemental application materials, including adequate information on the company's products and/or services, primary market objectives, and goals for participation. If the Department of Commerce receives an incomplete application, the Department may reject the application, request additional information, or take the lack of information into account when evaluating the applications.

Each applicant must also:

- Certify that the products and services it seeks to export through the mission are either produced in the United States, or, if not, marketed under the name of a U.S. firm and have at least 51% U.S. content. In cases where the U.S. content does not exceed 50%, especially where the applicant intends to pursue investment and major project opportunities, the following factors, may be considered in determining whether the

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<sup>1</sup> An SME is defined as a firm with 500 or fewer employees or that otherwise qualifies as a small business under SBA regulations (see [http://www.sba.gov/services/contracting\\_opportunities/sizestandardtopics/index.html](http://www.sba.gov/services/contracting_opportunities/sizestandardtopics/index.html)). Parent companies, affiliates, and subsidiaries will be considered when determining business size. The dual pricing reflects the Commercial Service's user fee schedule that became effective May 1, 2008 (see <http://www.export.gov/newsletter/march2008/initiatives.html> for additional information).

applicant's participation in the business development mission is in the U.S. national interest:

- U.S. materials and equipment content;
  - U.S. labor content;
  - Repatriation of profits to the U.S. economy;
  - Potential for follow-on business that would benefit the U.S. economy;
- Certify that the export of the products and services that it wishes to export through the mission would be in compliance with U.S. export controls and regulations;
- Certify that it has identified to the Department of Commerce for its evaluation any business pending before the Department of Commerce that may present the appearance of a conflict of interest;
- Certify that it has identified any pending litigation (including any administrative proceedings) to which it is a party that involves the Department of Commerce; and
- Sign and submit an agreement that it and its affiliates (1) have not and will not engage in the bribery of foreign officials in connection with a company's/participant's involvement in this mission, and (2) maintain and enforce a policy that prohibits the bribery of foreign officials.

### **Selection Criteria for Participation:**

Selection will be based on the following criteria, listed in decreasing order of importance:

- Suitability of a company's products or services to the target markets and the likelihood of a participating company's increased exports or business interests in the target markets as a result of this mission;

- Consistency of company's products or services with the scope and desired outcome of the mission's goals;
- Demonstrated export experience in the target markets and/or other foreign markets;
- Current or pending major project participation; and
- Rank/seniority of the designated company representative.

Additional factors, such as diversity of company size, type, location, and demographics, may also be considered during the review process.

Referrals from political organizations and any documents containing references to partisan political activities (including political contributions) will be removed from an applicant's submission and not considered during the selection process.

## **TIMEFRAME FOR RECRUITMENT AND APPLICATIONS**

Mission recruitment will be conducted in an open and public manner, including publication in the Federal Register (<http://www.gpoaccess.gov/fr>), posting on ITA's business development mission calendar (<http://export.gov/trademissions>) and other Internet web sites, press releases to general and trade media, direct mail, broadcast fax, notices by industry trade associations and other multiplier groups, and publicity at industry meetings, symposia, conferences, and trade shows.

Recruitment will begin immediately and conclude no later than March 14, 2014. Applications can be completed on-line at the Africa Energy Mission website at

<http://www.export.gov/AfricaEnergyMission2014> or can be obtained by contacting the U.S.

Department of Commerce Office of Business Liaison (202-482-1360 or

[businessLiaison@doc.gov](mailto:businessLiaison@doc.gov)).

The application deadline is Friday, March 14, 2014. Completed applications should be submitted to the Office of Business Liaison. Applications received after Friday, March 14, 2014, will be considered only if space and scheduling constraints permit.

### **HOW TO APPLY:**

Applications can be downloaded from the business development mission website

(<http://export.gov/AfricaEnergyMission2014>) or can be obtained by contacting the Office of

Business Liaison (see below). Completed applications should be submitted to the Office of

Business Liaison at (email: [businessliaison@doc.gov](mailto:businessliaison@doc.gov) or fax: 202-482-4054).

### **CONTACTS:**

General Information and Applications:

The Office of Business Liaison

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